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**MADSEN  
RED LAKE GOLD  
MINES**

L I M I T E D



**ANNUAL  
REPORT**

**1968**





# Madsen Red Lake Gold Mines, Limited

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## ANNUAL MEETING OF SHAREHOLDERS

Monday, March 31st, 1969, 11 o'clock in the forenoon  
(Toronto Time), Mayfair Room —  
King Edward Sheraton Hotel,  
King Street East, Toronto, Ontario.

## directors

PAUL H. McCLOSKEY, M.C., B.Sc. <i>Mining Executive</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M. <i>Mine Consultant</i>	Chicago
HUGH H. MACKAY <i>Vice-President of PITFIELD, MACKAY, ROSS &amp; COMPANY LIMITED, Stockbrokers</i>	Toronto
FOSTER W. HEWITT <i>Radio Executive, President of RADIO STATION CKFH</i>	Toronto
DONALD W. FALCONER, Q.C. <i>Solicitor and Partner in HOLDEN, MURDOCH, WALTON, FINLAY, ROBINSON, PEPALL &amp; HARVEY</i>	Toronto

## officers

PAUL H. McCLOSKEY, M.C., B.Sc., <i>President</i>	Toronto
HOWARD S. ROBINSON, B.S., E.M., <i>Vice-President</i>	Chicago
M. MASTERSON, <i>Secretary-Treasurer</i>	Toronto
A. A. McCLOSKEY, B.Sc., P.Eng. (Ont.), <i>Mine Consultant</i>	Toronto
K. R. NORTH, B.Sc., P.Eng. (Ont.), <i>Mine Manager</i>	Madsen
F. A. INNES, B.Sc., P.Eng. (Ont.), <i>Exploration Manager</i>	Toronto



# COMPARATIVE FINANCIAL SUMMARY

	<i>For the year ended December 31</i>	
	1968	1967
Tons milled .....	265,268	277,566
Ounces of gold produced .....	56,196.218	70,032.531
Average price of gold per ounce .....	\$ 37.70	\$ 37.77
Value of bullion .....	\$ 2,141,924.67	\$ 2,665,637.73
Operating costs .....	\$ 2,121,663.09	\$ 2,101,293.97
Net (loss) earnings .....	\$ (38,437.02)	\$ 473,430.07
Net (loss) earnings per share .....	\$ (.01)	\$ 0.14
Current assets .....	\$ 2,629,243.92	\$ 2,623,110.77
Current liabilities .....	\$ 236,523.78	\$ 297,158.53
Working capital .....	\$ 2,392,720.14	\$ 2,325,952.24
Shares issued .....	3,499,528	3,499,528

## MADSEN RED LAKE GOLD MINES, LIMITED

HEAD OFFICE.....Room 1109, 55 Yonge Street, Toronto 1, Ontario.

MINE OFFICE.....Madsen, Ontario.

## TRANSFER AGENTS AND REGISTRARS

GUARANTY TRUST COMPANY OF CANADA ..... 5th floor, 88 University Avenue, Toronto 1, Ont.  
427 St. James Street West, Montreal, Que.

THE BANK OF NEW YORK ..... 48 Wall Street, New York 15, N.Y.

## AUDITORS

NEFF, GOODWIN & Co. .... 347 Bay Street, Toronto 1, Ont.

## LISTED

TORONTO STOCK EXCHANGE..... Toronto 1, Ontario.



# REPORT OF THE DIRECTORS

## To The Shareholders

Your Directors submit with pleasure the Thirty-Third Annual Report for the year ended December 31st, 1968, including a review of operations by the Mine Manager, Mr. K. R. North, and the Auditors' Financial Statement.

### OPERATING RESULTS

Production was 56,196 ounces of gold in the year 1968 compared to 70,033 ounces in 1967. Gross bullion income was \$2,141,924.67 in contrast to \$2,665,637.73 in the previous year.

Operating profit including income was \$90,023.63 for the year. After deducting depreciation of \$128,460.65, net loss was \$38,437.02 for 1968. This compared with a net profit of \$473,430.07 in the previous twelve months. The 1968 loss is equivalent to 1 cent per share, compared with the 1967 profit of 14 cents per share. Lower-grade ore was mainly responsible for the reversal in earnings for the year.

### FINANCIAL

In prior years, a portion of the costs incurred for shaft sinking and other underground development was carried as deferred expenditure. The balance of \$728,304.67 at December 31st, 1967 was written off to retained earnings in 1968. This expenditure was used in the determination of taxable income during the pertinent years.

Net working capital of \$2,392,720.14 reflected an increase of \$66,767.90 for the year. This contrasted with working capital of \$2,325,952.24 at December 31st, 1967.

Depreciation charges on buildings, plant and equipment were taken at 20 percent which was the same rate as last year.

Capital expenditures amounted to \$15,783.16 in 1968.

The ten-year Financial Summary is appended to this report.

### ORE RESERVE

After milling 265,268 tons, grade 0.233 oz. per ton, during the year, the Ore Reserve totalled 336,700 tons, grade 0.270 oz. per ton. This compared with 431,500 tons, grade 0.290 oz. per ton at December 31st, 1967.

### OTHER INTERESTS

**BAFFINLAND IRON MINES LIMITED** — Your Company has a 19.93% interest — 662,786 shares. Previous drilling indicated 123,500,000 tons of 68.13% iron. This project remained dormant during the year. The future of this property is largely dependent upon the development of such items as harbour facilities, transportation, power, schools, hospitals, etc., and upon the Federal Government's decision with respect to implementation of the tax proposals of the Carter Commission.

**POTASH — SASKATCHEWAN** — Your Company has an equity of 76.7%. This project remained dormant during the year. Previous drilling outlined an estimated 303,203,250 tons of 27.25%  $K_2O$  equivalent. Muriate of potash (KCL) is the common commercial form of potash used as fertilizer. Management is very optimistic with respect to the longer term outlook for this project.

**NASS RIVER MINES LIMITED** — Your Company has a 49.3% interest — 1,177,521 shares. This company was incorporated in 1966 for the purpose of investigating a molybdenite prospect in the

Province of British Columbia. In view of the discouraging drilling results in 1967, the decision was made early in 1968 that further work was not warranted. Consequently, the claims are being allowed to lapse. However, plans are underway to explore other mining properties in this province early in 1969.

AVA GOLD MINING COMPANY LIMITED — Your Company has a 48.7% interest — 860,300 shares. This company holds 19 patented claims, adjoining the Madsen Mine and 11 claims in the Province of Quebec, and is dormant at the present time.

### EXPLORATION

Heavy emphasis is being placed on the outside exploration program.

#### ONTARIO — GOLD

An option was taken on 12 claims owned by Nova-Co Explorations Ltd. of Toronto, in Heyson Township, Ontario, about 3 miles northeast of the Madsen shaft.

Diamond drilling is to commence early in 1969.

#### ONTARIO — Copper

Thirty claims were staked in the North Spirit area about 100 miles north and east of Red Lake, to cover a copper showing in an altered conglomerate. Geophysical surveys are underway for this group.

Twenty-five claims were acquired in MacMurchy and Tyrrell Townships. Linecutting is in progress and will be followed by geophysical surveying.

Further work is also planned for the Shabu Lake group, on which diamond drilling in 1967 proved disappointing. Renewed interest is being shown in this area due to the recent copper-zinc-silver find made by Selco at Confederation Lake.

#### QUEBEC — Copper

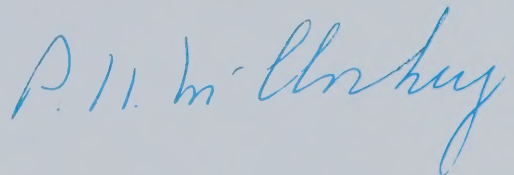
An option was taken on 14 claims in Beauchastel Township, Quebec. Geophysical work located several interesting anomalies and diamond drilling to test these will be carried out early in 1969. A further 15 claims were acquired by option on the east side of this group. Work on this group will await results of the diamond drilling to the west.

General prospecting was carried out in five areas in Ontario but nothing of interest was found.

### GENERAL

The Directors take this opportunity to express their appreciation to all the employees for their loyal and efficient services rendered to the Company during the year.

Respectfully submitted on behalf of the Board,



President.

Toronto, Ontario,  
March 4th, 1969.



# PROPOSED ARCTIC ICE-BOUND ROUTE



- |   |  |  |
|---|--|--|
| <p>① Company's producing gold mine.<br/>Rate — 800 tons per day.<br/>Madsen, Ontario.</p> | <p>② Baffinland Iron Mines Limited.<br/>123,500,000 tons of 68.13%<br/>Iron.<br/>Northwest Territories.<br/>Company's equity — 19.93%.</p> | <p>③ Esterhazy, Saskatchewan.<br/>303,203,250 tons of 27.25%<br/>Potash.<br/>Company's equity — 76.7%.</p> |
|---|--|--|

The proposed "Northwest Passage" for tankers to transport crude oil from the North Slope of Alaska and the Canadian Northwest to refineries and markets on the east and west coasts holds important implications for Baffinland Iron Mines Limited. In experimental work undertaken by Humble Oil & Refining, Atlantic Richfield, and British Petroleum, a tanker in June will carry crude through the ice-infested waters of Canada's Northwest Territories. If the experiment is successful, it will mean a new sea lane and trade route on the doorstep of Baffin Island.

More than the oil industry would benefit from the new trade route. It would make the rich iron ore deposit of Baffinland Iron Mines Limited in which Madsen Red Lake Gold Mines owns a 19.93% interest more accessible to world markets. The economics of bringing this deposit into production are thereby substantially improved.

## MADSEN RED LAKE GOLD MINES LIMITED



# REPORT OF THE MINE MANAGER

The President and Directors,  
Madsen Red Lake Gold Mines, Limited,  
1109 - 55 Yonge Street,  
Toronto 1, Ontario.

Dear Sirs:

The Thirty-Third Annual Report, covering the operations for the year ended December 31st, 1968, is submitted for your consideration.

## PRODUCTION:

The following figures show the production for 1968 and comparable figures for 1967:

	1968	1967
Ounces of Gold .....	56,196.218	70,032.531
Ounces of Silver .....	10,095.74	12,310.81
Gross Value of Bullion .....	\$ 2,141,924.64	\$ 2,665,637.73
Average Price Gold/oz. ....	\$ 37.70	\$ 37.77
Average Price Silver/oz. ....	\$ 2.30	\$ 1.69

Under the provisions of the Emergency Gold Mining Assistance Act, it is estimated that the Company is entitled to receive \$577,400.00 or \$10.27 per ounce compared with \$630,000.00 or \$9.00 per ounce in 1967.

## OPERATING COSTS:

	1968			1967		
Tons Milled .....	265,268			277,566		
Ounces Produced .....	56,196.218			70,032.531		
	Total Cost	Per Ton Milled	Per Ounce	Total Cost	Per ton Milled	Per Ounce
Property Exploration .....	\$ 37,691.38	\$ 0.142	\$ 0.671	\$ 32,245.84	\$ 0.116	\$ 0.460
Mine Development .....	260,054.65	0.980	4.628	193,092.73	0.696	2.757
Mining .....	1,265,238.10	4.770	22.514	1,334,319.62	4.807	19.053
Crushing & Conveying .....	77,880.77	0.293	1.386	75,034.58	0.270	1.071
Milling .....	364,154.32	1.373	6.480	345,596.87	1.245	4.935
General Expense .....	224,651.97	0.847	3.998	264,729.46	0.954	3.780
Employee Benefits .....	368,580.70	1.389	6.559	373,388.85	1.345	5.332
Administration Expenses .....	85,640.93	0.323	1.523	87,242.55	0.314	1.246
Marketing Charges .....	15,170.27	0.057	0.270	25,643.47	0.092	0.366
	\$ 2,699,063.09	\$ 10.174	\$ 48.029	\$ 2,731,293.97	\$ 9.839	\$ 39.000
Deduct: Estimated E.G.M.A. ..	577,400.00	2.177	10.275	630,000.00	2.270	8.996
Net Operating Cost .....	\$ 2,121,663.09	\$ 7.997	\$ 37.754	\$ 2,101,293.97	\$ 7.569	\$ 30.004

## MINE DEVELOPMENT:

The following table shows the total footage of development work completed during the year 1968, with comparable footages for 1967, 1966 and total to date:

	1968	1967	1966	Total to Date
Shaft Sinking and Station Cutting .....	—	—	—	5,462
Crosscutting .....	1,146	—	—	35,412
Drifting .....	1,876	3,108	1,856	179,832
Raising .....	1,608	1,526	1,170	74,979
Diamond Drilling (Contract) .....	36,736	22,659	41,598	1,941,895
Diamond Drilling (Packsack) .....	27,486	26,113	32,950	295,095
Surface Drilling (Contract) .....	1,807	3,503	14,622	183,847
Draw Points .....	10	9	8	514

The footages of lateral development and raising completed during the year are shown by levels in the following table:

Level	Crosscutting	Drifting	Raising
6 .....	—	195	40
8 .....	—	75	40
9 .....	—	—	104
10 .....	—	10	—
11 .....	—	340	29
12 .....	—	210	412
14 .....	—	105	—
15 .....	—	52	187
16 .....	—	376	—
17 .....	—	112	379
18 .....	—	—	353
20 .....	—	—	34
23 .....	892	—	30
24 .....	254	401	—
Total .....	1,146	1,876	1,608

The development and exploration cost increased from \$225,338.57 in 1967 to \$297,746.03 in 1968.

A gold bearing zone lying north of the main shaft was explored by diamond drilling. Seven deep holes were drilled. Four holes intersected visible gold.

The 23rd level crosscut was advanced 920 feet and the 24th level 254 feet towards the favourable zone. The advance on the 23rd level was mainly through a talc formation which required close timber support.

The nature and extent of this new zone may be evident by July 1969. Early indications are that incompetent rock encountered may make mining difficult.

#### MINING:

Stoping operations were carried out from the fourth to the twenty-third level inclusive with 45% of the mill feed coming from above the 2,650-foot horizon, or 17th level.

#### SOURCE OF ORE DELIVERED TO MILL:

Ore Zone Number	Tons	*Grade	% Total Ounces
1 .....	103,710	0.261	44.13
2 .....	65,310	0.252	26.79
3 .....	45,540	0.184	13.66
4 .....	8,560	0.233	3.25
6 .....	—	—	—
7 .....	40,150	0.186	12.17
Total .....	263,270	0.233	100.00

\* Grade adjusted to coincide with calculated mill heads.

Free ore amounted to 2% of the total drawn with a grade of 0.120 ounces per ton.

#### BACKFILL:

The deslimed mill tailings placed as backfill amounted to 110,206 tons for a total of 1,799,408 tons to date.

#### ORE RESERVES:

The estimated Ore Reserves for 1968 and comparable figures for 1967 are shown in the following table:

	December 31, 1968			December 31, 1967		
	Tons	Grade	Ounces	Tons	Grade	Ounces
Surface to 11th level .....	6,860	0.207	1,424	14,210	0.272	3,860.0
11th level to 17th level .....	90,030	0.228	20,574	105,890	0.250	26,220.0
17th level to 23rd level .....	239,810	0.287	68,923	311,400	0.304	94,760.0
Broken Reserve .....	—	—	—	—	—	—
Total Reserves .....	336,700	0.270	90,921	431,500	0.290	124,840.0



The broken ore in cut and fill stopes is not included in the above reserve figure.

Ore mined which was not included in the reserve figure and free ore drawn from old workings amounted to 170,000 tons.

#### MILLING:

The milling data for the current year, the two previous years, and the total since the commencement of milling operations are shown in the following table:

	1968	Year 1967	1966	Aug. 11, 1938 to Dec. 31, 1968
Dry Tons Treated .....	265,268	277,566	246,505	7,216,621
Percentage Operating Time of Total Time .....	91.19	95.42	80.42	95.44
Tons Treated Per Calendar Day .....	724.78	760.45	675.36	650.09
Average Gold Assay Heads, Troy Ounces .....	0.23255	0.27632	0.30865	0.31267
Average Gold Assay Tails, Troy Ounces .....	0.02070	0.02401	0.02468	0.01989
Percentage Recovery .....	91.10	91.31	92.00	93.64

#### BUILDINGS, MACHINERY AND EQUIPMENT:

The total expenditures for Buildings, Machinery and Equipment amounted to \$15,783.16 as follows:

Geology office equipment .....	\$ 335.74
1½-ton truck .....	1,855.00
1 30 H.P. motor for mill .....	290.59
Oil-fired boilers .....	1,688.43
Pipe lines .....	1,710.57
2 television sets .....	1,564.23
Houses .....	7,229.80
Sundry equipment .....	1,108.80
	<u>\$ 15,783.16</u>

#### GENERAL:

Wage increases of five cents and ten cents per hour became effective on February 22nd and August 1st respectively under an agreement with United Steelworkers of America.

Average annual employee benefits increased from \$1,279.00 per capita in 1967 to \$1,412.00 in 1968.

There were 157 hirings and 189 separations compared with 358 hirings and 358 separations during 1967.

There were 260 full time employees on the payroll at the end of the year.

The Ontario Hydro Electric Power Commission resumed supplying off peak low cost electric power for heating purposes on December 7th.

A statement detailing the distribution of moneys spent for wages, supplies, equipment, pension and insurance to operate and maintain the mine during the year is appended to this report.

#### CONCLUSION:

I offer my sincere thanks to the Heads of Departments, and their staff, and to all of the Company employees, for their loyal and efficient service throughout the year.

The support and guidance of the President, the Board of Directors, and the Head Office staff, are gratefully acknowledged.

Yours very truly,



Madsen, Ontario,  
January 31st, 1969.

K. R. NORTH, P.Eng. (Ont.),  
Mine Manager.

# BALANCE SHEET

## ASSETS

as at December 31

CURRENT ASSETS	1968	1967
Cash	\$ 292,872.23	\$ 356,110.90
Short term notes	789,620.27	850,000.00
Bullion in transit	124,056.57	134,175.29
Accounts receivable	55,782.34	21,484.32
Estimated gold assistance receivable	242,787.16	208,995.32
Refundable income tax	11,348.73	16,798.67
Income taxes recoverable		46,000.00
Marketable securities — at cost	641,575.26	435,438.05
(Market value 1968 \$699,090.56, 1967 \$428,412.75)		
Materials and supplies — at cost	457,779.62	539,819.18
Prepaid expenses	13,421.74	14,289.04
	<u>2,629,243.92</u>	<u>2,623,110.77</u>
INVESTMENTS — AT COST		
Securities and cash on deposit	1,000.00	31,780.62
Shares in other companies	176,162.22	176,162.22
Baffinland Iron Mines Limited — 662,786 shares	549,937.25	549,937.25
	<u>727,099.47</u>	<u>757,880.09</u>
PROPERTY, PLANT AND EQUIPMENT — AT COST		
Buildings, machinery and equipment	5,947,856.86	5,934,510.47
Less: Accumulated depreciation	5,434,014.23	5,307,191.87
	<u>513,842.63</u>	<u>627,318.60</u>
Mining properties — Red Lake	1,667,211.71	1,667,211.71
	<u>2,181,054.34</u>	<u>2,294,530.31</u>
DEFERRED EXPENDITURES		
Development — shaft sinking, stations, etc.		728,304.67
Pension plan contributions		18,000.00
		<u>746,304.67</u>
OTHER MINING PROPERTIES		
Mining claims — at cost	17,340.55	12,487.00
Deferred exploration expenditure	278,905.41	260,182.75
	<u>296,245.96</u>	<u>272,669.75</u>
	<u>\$ 5,833,643.69</u>	<u>\$ 6,694,495.59</u>

## NOTES TO FINANCIAL STATEMENT

December 31, 1968

1. In prior years, a portion of the costs incurred for shaft sinking and other underground development was carried as deferred expenditure. The balance of \$728,304.67 at December 31, 1967 was written off to retained earnings in 1968.
2. The aggregate direct remuneration paid to directors and senior officers of the Company was \$94,612.75 in 1968 and \$92,014.51 in 1967.



# MADSEN RED LAKE GOLD MINES, LIMITED

(Incorporated under the laws of Ontario)

## LIABILITIES

as at December 31

### CURRENT LIABILITIES

	1968	1967
Accounts payable and accrued charges	\$ 192,308.81	\$ 238,497.68
Wages payable	44,214.97	41,660.85
Mining tax payable		17,000.00
	<u>236,523.78</u>	<u>297,158.53</u>

## SHAREHOLDERS' EQUITY

### CAPITAL STOCK

Authorized: 3,500,000 shares of \$1.00 each		
Issued and fully paid: 3,499,528 shares	3,499,528.00	3,499,528.00
Less: Discount on shares	1,390,160.50	1,390,160.50
	<u>2,109,367.50</u>	<u>2,109,367.50</u>

### RETAINED EARNINGS

3,487,752.41	4,287,969.56
<u>5,597,119.91</u>	<u>6,397,337.06</u>

See notes to financial statement.

Approved on behalf of the Board:

P. H. McCLOSKEY, Director

D. W. FALCONER, Director

<u>\$ 5,833,643.69</u>	<u>\$ 6,694,495.59</u>
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## AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Madsen Red Lake Gold Mines, Limited as at December 31, 1968 and the statements of retained earnings, earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Company as at December 31, 1968 and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

TORONTO, Canada,  
February 17, 1969.

NEFF, GOODWIN & CO.,  
Chartered Accountants.

# MADSEN RED LAKE GOLD MINES, LIMITED

## STATEMENT OF EARNINGS

	<i>For the year ended December 31</i>	
	1968	1967
<b>Bullion Production:</b>		
Gold .....	\$ 2,118,661.48	\$ 2,644,821.63
Silver .....	23,263.19	20,816.10
	<u>2,141,924.67</u>	<u>2,665,637.73</u>
Less: Marketing charges .....	15,170.27	25,643.47
	<u>2,126,754.40</u>	<u>2,639,994.26</u>
<b>Operating and Administration Costs:</b>		
Mining .....	1,265,238.10	1,334,319.62
Crushing and Milling .....	442,035.09	420,631.45
Mine development .....	297,746.03	225,338.57
Employee benefits .....	368,580.70	373,388.85
Management and general expense at the property .....	224,651.97	264,729.46
Head office expense .....	85,640.93	87,242.55
	<u>2,683,892.82</u>	<u>2,705,650.50</u>
Less: Estimated Gold Assistance .....	577,400.00	630,000.00
	<u>2,106,492.82</u>	<u>2,075,650.50</u>
<b>Operating Profit</b> .....	<u>20,261.58</u>	<u>564,343.76</u>
Interest and other income .....	69,762.05	82,915.96
	<u>90,023.63</u>	<u>647,259.72</u>
Provision for depreciation .....	128,460.65	156,829.65
Provision for mining tax .....		17,000.00
	<u>128,460.65</u>	<u>173,829.65</u>
<b>Net (Loss) Earnings for the Year</b> .....	<u>\$ (38,437.02)</u>	<u>\$ 473,430.07</u>

## STATEMENT OF RETAINED EARNINGS

	<i>For the year ended December 31</i>	
	1968	1967
Balance, beginning of the year .....	\$ 4,287,969.56	\$ 4,301,531.95
<b>Add:</b> Net earnings for the year .....		473,430.07
Adjustment of prior years expenses .....	532.15	1,453.63
Adjustment of prior years gold assistance .....		21,924.25
Recovery of prior years income taxes .....	10,193.88	54,540.74
	<u>10,726.03</u>	<u>551,348.69</u>
	<u>4,298,695.59</u>	<u>4,852,880.64</u>
<b>Deduct:</b> Net loss for the year .....	38,437.02	
Dividend #47 at 10 cents per share paid August 18, 1967 ..		349,952.80
Acquisition costs and exploration expenditure on mining claims abandoned .....	39,608.92	120,619.98
Adjustment of prior years gold assistance .....	4,592.57	
Loss on realization of investments .....		94,338.30
Prior years deferred development expenditure written off .....	728,304.67	
	<u>810,943.18</u>	<u>564,911.08</u>
Balance, end of the year .....	<u>\$ 3,487,752.41</u>	<u>\$ 4,287,969.56</u>



# MADSEN RED LAKE GOLD MINES, LIMITED

## STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<i>For the year ended December 31</i>	
<b>Source:</b>	<b>1968</b>	<b>1967</b>
Net (loss) earnings for the year	\$ (38,437.02)	\$ 473,430.07
<b>Add:</b> Provision for depreciation	128,460.65	156,829.65
Deferred pension write off	18,000.00	18,000.00
	<u>108,023.63</u>	<u>648,259.72</u>
Proceeds from sale of equipment	700.00	486.00
Proceeds from sale of investments	5,490.00	5,159.70
Prior years adjustments		23,438.41
Recovery of prior years income taxes	10,193.88	54,540.74
Securities and cash on deposit returned	25,290.62	
	<u>149,698.13</u>	<u>731,884.57</u>
<b>Application:</b>		
Dividend paid		349,952.80
Additions to buildings and equipment	15,783.16	64,591.07
Outside exploration	63,185.13	347,891.63
Investment in Nass River Mines Limited		41,028.72
Securities and cash on deposit		4,440.62
Prior years adjustments	3,961.94	
	<u>82,930.23</u>	<u>807,904.84</u>
Increase in working capital	66,767.90	
Decrease in working capital		76,020.27
Working capital beginning of the year	2,325,952.24	2,401,972.51
Working capital end of the year	<u>\$ 2,392,720.14</u>	<u>\$ 2,325,952.24</u>

## DISTRIBUTION OF GROSS INCOME

	<i>For the year ended December 31</i>	
<b>Gross Income:</b>	<b>1968</b>	<b>1967</b>
Bullion	\$ 2,141,924.67	\$ 2,665,637.73
Interest and other income	69,762.05	82,915.96
Gold mining assistance	577,400.00	630,000.00
	<u>\$ 2,789,086.72</u>	<u>\$ 3,378,553.69</u>
<b>Distribution:</b>		
Materials, supplies and general operating expenses	\$ 709,967.84	\$ 733,560.44
Salaries and wages	1,478,913.63	1,480,355.19
Hydro electric power	136,433.24	139,189.64
Workmen's compensation and silicosis insurance	156,924.20	168,929.63
Holidays with pay and unemployment insurance	74,608.07	68,449.51
Pension, group insurance and medical expense	96,008.20	88,803.38
Boarding house and employees travel expense	46,207.91	52,006.18
Provision for mining tax		17,000.00
Provision for depreciation	128,460.65	156,829.65
Net (loss) earnings	(38,437.02)	473,430.07
	<u>\$ 2,789,086.72</u>	<u>\$ 3,378,553.69</u>

## Ten Year Financial Statement

	1938 to 1968	1968	1967	1966
Ounces of gold produced .....	2,132,872.734	56,196.218	70,032.531	69,999.03
Tons of ore milled .....	7,216,621	265,268	277,566	246,505
Recovery value per ton milled .....	\$ 10.57	\$ 7.99	\$ 9.60	\$ 10.78
Average price of gold per ounce .....	\$ 35.60	\$ 37.70	\$ 37.77	\$ 37.73
Income from gold and silver .....	\$76,300,901.48	\$2,141,924.67	\$2,665,637.73	\$2,657,165.51
Operating and marketing costs ..	\$58,189,001.71	\$2,699,063.09	\$2,731,293.97	\$2,656,484.09
Operating income .....	\$18,111,799.77	\$ (557,138.42)	\$ (65,656.24)	\$ 681.42
Sundry income .....	\$ 828,707.19	\$ 69,762.05	\$ 82,915.96	\$ 60,752.87
Emergency gold mining assistance .....	\$ 6,439,700.00	\$ 577,400.00	\$ 630,000.00	\$ 625,000.00
Provision for taxes .....	\$ 3,955,719.99	—	\$ 17,000.00	\$ 65,000.00
Provision for depreciation .....	\$ 5,533,278.57	\$ 128,460.65	\$ 156,829.65	\$ 180,025.92
Net income .....	\$15,055,957.72	\$ (38,437.02)	\$ 473,430.07	\$ 441,408.37
Net income per ton .....	\$ 2.09	\$ (.14)	\$ 1.70	\$ 1.79
Net income per share .....	\$ 4.30	\$ (.01)	\$ .14	\$ .13
Cash profits less net capital expenditure .....	\$13,141,619.48	\$ 29,755.34	\$ (76,020.27)	\$ 447,161.85
Dividends paid .....	\$10,339,905.24	—	\$ 349,952.80	—
Dividends paid per share .....	\$ 2.955	—	\$ .10	—
Percentage of dividends paid to cash profits less net capital expenditure .....	78.68	—	—	—
Additions to fixed assets .....	\$ 5,947,856.86	\$ 15,783.16	\$ 63,398.63	\$ 80,476.00
AT END OF YEAR:				
Fixed assets — at cost .....	\$ 5,947,856.86	\$5,947,856.86	\$5,934,518.47	\$5,870,830.43
Fixed assets less accumulated depreciation .....	\$ 513,842.63	\$ 513,842.63	\$ 627,326.60	\$ 720,103.71
Working capital .....	\$ 2,392,720.14	\$2,392,720.14	\$2,325,952.24	\$2,401,972.51
Number of employees .....	262	262	296	296



# LAKE GOLD MINES LIMITED

## Financial Summary

1965	1964	1963	1962	1961	1960	1959
87,632.198	94,868.822	107,130.856	100,877.831	106,096.338	119,083.749	118,804.674
292,681	305,823	306,247	311,705	301,031	306,377	301,999
\$ 11.36	\$ 11.78	\$ 13.28	\$ 12.17	\$ 12.57	\$ 13.34	\$ 13.31
\$ 37.73	\$ 37.75	\$ 37.75	\$ 37.42	\$ 35.52	\$ 34.20	\$ 33.68
\$3,326,452.29	\$3,603,396.77	\$4,067,473.77	\$3,794,610.80	\$3,784,106.81	\$4,088,904.32	\$4,019,616.83
\$2,981,326.38	\$3,388,586.47	\$3,423,769.72	\$3,465,624.84	\$3,401,069.55	\$3,210,400.66	\$2,943,580.62
\$ 345,125.91	\$ 214,810.30	\$ 643,704.05	\$ 328,985.96	\$ 383,037.26	\$ 878,503.66	\$1,076,036.21
\$ 37,349.46	\$ 53,515.64	\$ 45,980.74	\$ 51,481.97	\$ 41,808.47	\$ 41,546.85	\$ 40,651.28
\$ 585,000.00	\$ 695,000.00	\$ 454,000.00	\$ 685,000.00	\$ 590,000.00	\$ 140,000.00	\$ —
\$ 86,500.00	\$ 147,500.00	\$ 212,000.00	\$ 178,500.00	\$ 128,700.00	\$ 121,800.00	\$ 27,080.00
\$ 202,098.68	\$ 222,488.06	\$ 247,703.41	\$ 229,047.69	\$ 236,473.65	\$ 252,506.11	\$ 273,712.65
\$ 678,876.69	\$ 593,337.88	\$ 683,981.38	\$ 657,920.24	\$ 649,672.08	\$ 685,744.40	\$ 815,894.84
\$ 2.32	\$ 1.94	\$ 2.23	\$ 2.11	\$ 2.16	\$ 2.24	\$ 2.70
\$ .19	\$ .17	\$ .20	\$ .19	\$ .19	\$ .20	\$ .23
\$ 696,200.34	\$ 684,994.72	\$ 579,219.65	\$ 639,998.22	\$ 622,599.96	\$ 708,239.54	\$ 503,774.93
\$ 262,464.60	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20	\$ 524,929.20	\$ 699,905.60	\$ 699,905.60
\$ .075	\$ .15	\$ .15	\$ .15	\$ .15	\$ .20	\$ .20
37.78	76.63	90.63	82.02	84.31	98.82	138.93
\$ 112,695.29	\$ 121,586.66	\$ 319,729.06	\$ 189,490.06	\$ 172,343.80	\$ 156,946.04	\$ 282,926.74
\$5,790,354.43	\$5,677,659.14	\$5,556,072.48	\$5,236,343.42	\$5,046,853.36	\$4,874,509.56	\$4,717,563.52
\$ 808,394.71	\$ 889,952.23	\$ 990,813.63	\$ 916,190.77	\$ 945,894.59	\$1,010,024.44	\$1,094,850.57
\$1,954,810.66	\$2,119,844.67	\$1,972,424.57	\$1,942,145.86	\$1,864,076.84	\$1,791,406.08	\$1,783,072.14
348	365	424	425	427	424	385





MADSEN RED LAKE GOLD MINES LTD.  
MADSEN ONT.

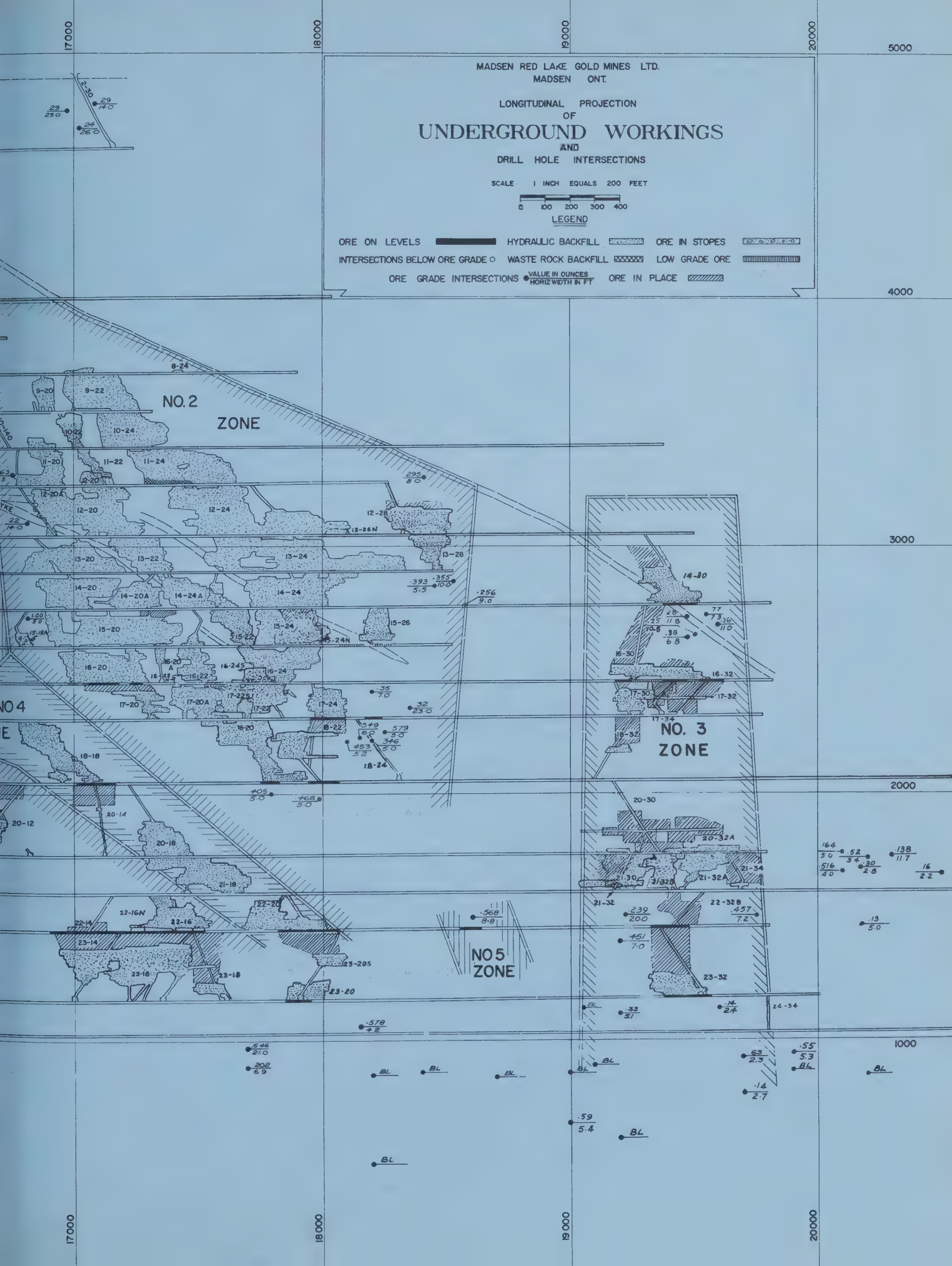
LONGITUDINAL PROJECTION  
OF  
**UNDERGROUND WORKINGS**  
AND  
DRILL HOLE INTERSECTIONS

SCALE 1 INCH EQUALS 200 FEET



LEGEND

ORE ON LEVELS HYDRAULIC BACKFILL ORE IN STOPES   
INTERSECTIONS BELOW ORE GRADE WASTE ROCK BACKFILL LOW GRADE ORE   
ORE GRADE INTERSECTIONS VALUE IN OUNCES  
HORIZ. WIDTH IN FT. ORE IN PLACE





INSPECTING GOLD



# GOLD

Official statements on gold from Washington are softening. Treasury Secretary Kennedy's carefully worded statements are in sharp contrast to former terse and flat rejections of any compromise towards an increase in the price of gold as expressed by officials of the Johnson Administration. An article in the Wall Street Journal, Tuesday, January 28, 1969, by Richard F. Janssen, states "Arthur Burns would be given cabinet rank and the title of Counsellor to the President." Further in the article, Mr. Janssen says "But Mr. Burns, who would doubtless have a key voice in any new gold crisis too, brings into office a documented position that sharply raising the gold price might indeed be preferable to an unduly dampened domestic economy or the imposition of stultifying controls on world trade. Mr. McCracken, of the Council of Economic Advisers, for his part, has dismissed as 'petty' many of the Johnson Administration's main arguments against raising the gold price. And some of the National Security Council's new staff experts endorse the idea of at least assigning less primacy to a fixed gold price in shaping global policy. Other compelling considerations are cited by Nixon Administration insiders for the absence of the iron-clad gold-price declarations of their predecessors: A feeling that calm reason rather than 'mountain top shouting' will be more effective now, and an international awareness that the accident prone monetary system may not permit such pledges to be honoured in perpetuity anyhow."

To understand the reasons and background for the change in official Washington's attitude, let us review some of the pertinent facts which have occurred since January 31, 1934, when Franklin Roosevelt by Presidential proclamation increased the price of gold from \$20.67 per ounce to \$35.00 per ounce. Gold and dollars were freely convertible into each other (except

for all U.S. citizens) and the U.S. put itself into the position of guaranteeing redemption of U.S. dollars into gold on demand by foreigners. This last undertaking by the U.S. Administration has proved embarrassing for them in recent months. The most significant action following the establishment of the gold bullion standard in 1934, was the Bretton Woods proposals drafted by 44 nations at Bretton Woods, New Hampshire, in 1944 and ratified in 1945. With these proposals came the birth of the International Monetary Fund and the International Bank for Reconstruction and Development. The purpose of the arrangements at Bretton Woods was to promote a balanced growth of International Trade and long range productive international investment. A special interest of the U.S. in Bretton Woods can be interpreted from the following statement in the Bretton Woods proposals: "American investors took chances after the last war, and in the late 1920's and 1930's got caught in an epidemic of defaults. . . . While the United States is concerned with the reconstruction and development of other countries for their sake, our principal interest in bringing about an expanded volume of American investment abroad arises out of concern for our own welfare." Bretton Woods was the result of 3 years of intensive study by senior authorities of the U.S. prior to 1944 and was designed not only for the promotion of trade but for the protection of those nations with sound financial policies and currencies. Ironically, the weak currencies of 1944 became the strong in 1968. In the annual report of the International Monetary Fund for 1968, the Chairman of the Executive Board, Mr. Pierre-Paul Schweitzer, reported "But the restoration of enduring confidence and stability in the International Monetary system depends primarily on the achievement of early and progressive improvement in the external positions of both the United Kingdom and the United States." One of the

most significant proposals at Bretton Woods was stabilization of exchange rates by fixing the rates at parities. These parities are no longer realistic. The proposals follow the premise that all trading nations must have confidence in the constant value of all currencies in terms of dollars. Those countries which have allowed their money supply to increase without a corresponding increase in real money or gold, have experienced an increasing lack of confidence in their currency by foreigners. The United States and Great Britain have allowed this to happen while laterally the governments of West Germany, France, Belgium, The Netherlands, Portugal, Italy, Switzerland and South Africa have increased the percentage of gold behind their paper money. As a result, confidence in the Deutsche Mark and the Rand, for example, has increased substantially while confidence has gone out of the pound and is going out of the dollar. As a result of inflation, and the strain of fixed exchange rates which did not allow for changes in the values of international currencies, several money crises developed in 1967 and 1968. In November 1967 the pound was devaluated together with the currencies of 14 other nations. In March 1968, partly as a result of the pound devaluation, came an international demand for gold which resulted in an emergency measure, the two-tier system. A further crisis developed with respect to the French Franc following the May riots in France. Finally, in November, due to an unprecedented flow of capital into West Germany, another crisis was touched off. It is doubtful that the world's monetary system can withstand another crisis without devaluations. The currency of West Germany is reported to be the strongest in the world while the Swiss continue to enjoy international confidence in their 100% gold-backed Swiss Franc. The reserve currencies, the dollar and the pound have been buffeted to the point where the pound is no longer considered a reserve currency and the U.S. can no longer afford her commitment to redeem dollars into gold at \$35.00 established by President Roosevelt in

1934. The best barometer of the health of the U.S. dollar is the record of her gold bullion deposits at Fort Knox. In December 1948, this was reported to be \$24.4 billions. For December 1968, the U.S. gold holdings were reportedly about \$10.4 billions but insider figures show the actual free reserves available to be very substantially below this figure. It is believed that between \$4 and \$5 billions of so-called "Roosa bonds" have been issued carrying an underlying gold guarantee. Moreover the officially quoted figure also includes the U.S. gold subscription to the International Monetary Fund of about \$1 billion. In other words, the actual gold reserves available to the U.S. government are estimated at only about half of the officially reported figure of \$10.4 billions. Outstanding dollars in the hands of foreigners is about \$35 billions. This is truly a precarious monetary imbalance for the greatest nation in the world and is the main reason for the weakening confidence in the U.S. dollar i.e. the U.S. inability to meet her commitments. To heighten the U.S. dilemma, she has practically no sources of newly mined gold available to her. Large tonnages being mined in South Africa are being sold in limited amounts on the free gold market or to private buyers. Due to a substantial surplus of foreign currency reserves, South Africa sells only for current requirements and enjoys a very strong bargaining position with respect to the amount and price of any gold which she makes available to any other nation.

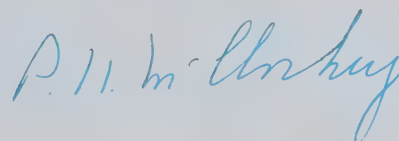
To conclude, stabilization can only be achieved by strengthening the only reserve currency left — the dollar. Those who have blamed world monetary problems on the ills of the pound or franc, are suffering from illusions. World monetary problems are the reflection of a weakening dollar and the resulting pressures thereon. A cure to the world monetary problem must be preceded by a return of confidence in the dollar. In essence, the new Administration would appear to have only two major options open to it to achieve this purpose:



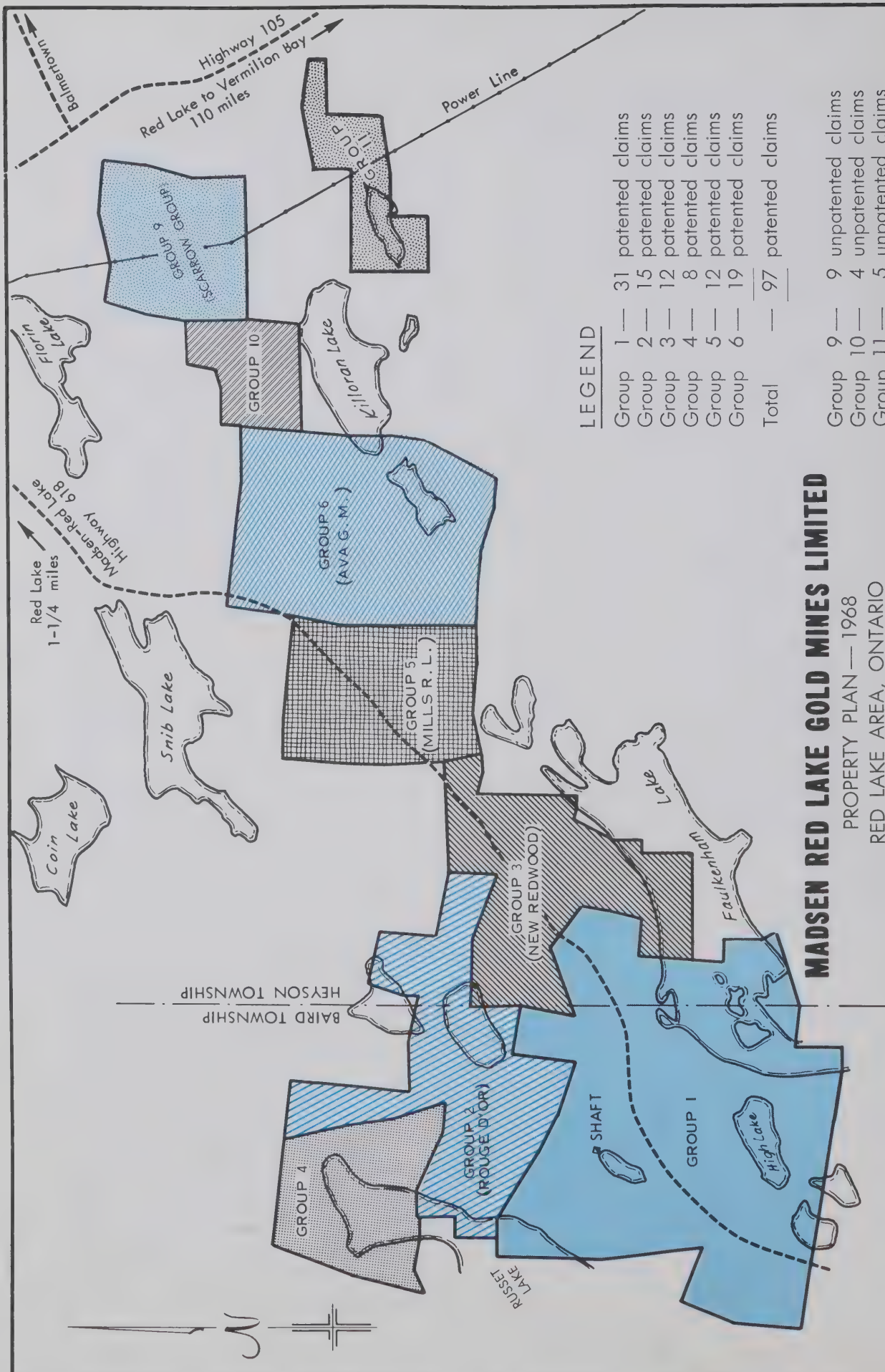
- (a) A *drastic* curbing of inflation which, however, would not be politically feasible. Not only would it be extremely unpopular both with private enterprise and labour, but inevitably it would lead the country into a depression. Governments never come to grips with inflation because deflationary programs cause an increase in unemployment.
- (b) Raising the price of gold (gold is in terms of paper currencies, the most undervalued commodity), to a realistic level, simultaneously, with the world's leading industrial nations and in fact all members of the International Monetary Fund. Although such action would constitute no cure-all, it seems to rate as the most painless and sensible solution both for the U.S. government as well as for its foreign creditors with their heavy claims on the slim U.S. gold reserves. The U.S. dollar would not depreciate in terms of the other leading currencies while the U.S. would gain valuable time in putting its financial house in order. The panicky and disruptive international financial crises would subside and in a calmer atmos-

phere the basis for an improved structure could then be laid.

Despite three serious monetary crises following in quick succession after the devaluation of the pound in November 1967, the Western World has done nothing but taken temporary stop-gap measures to cure deep-seated monetary ills. Political proclamations of assurance that "everything is all right" have been followed by further money crises. If this lack of meaningful action continues, events will run their course. In these circumstances, the same pattern will follow as was experienced in the early 1930's involving trade stagnation and depression. We have the alternative of raising the price of gold now. This action would put immediate confidence in the dollar, and without any penalty to foreign holders of U.S. dollars. Action taken in the 1950's would have eased our present problem. Now, the longer the delay, the harder the blow. The penalty of easy money and credit is self denial. Are we ready to act on the vital issues at hand?



P. H. McCLOSKEY,  
President.



# LEGEND

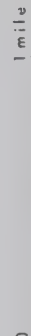
Group 1	—	31	patented claims
Group 2	—	15	patented claims
Group 3	—	12	patented claims
Group 4	—	8	patented claims
Group 5	—	12	patented claims
Group 6	—	19	patented claims
Total	—	97	patented claims

Group 9	—	9	unpatented claims
Group 10	—	4	unpatented claims
Group 11	—	5	unpatented claims
Total	—	18	unpatented claims
Total	—	115	claims

## MADSEN RED LAKE GOLD MINES LIMITED

PROPERTY PLAN — 1968

RED LAKE AREA, ONTARIO





# GENERAL SUMMARY OF EXPENDITURE FOR 1968

## Wages and salaries:

Wages and salaries .....	\$ 1,539,819.28	
Pension plan .....	34,210.57	
Holidays with pay .....	<u>35,697.99</u>	\$ 1,609,727.84

## Contracts:

Fathom Drilling Limited .....		50,005.05
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## Supplies:

Hardware .....	16,756.77	
Iron and steel .....	8,010.77	
Tungsten, carbide bits and steel .....	30,797.20	
Grinding balls .....	34,512.04	
Wire and cable .....	14,037.97	
Electrical supplies .....	9,352.88	
Pipe fittings and hose .....	4,621.46	
Rock drills and repairs .....	15,607.92	
Crusher repairs .....	10,110.77	
Mill repairs .....	11,270.05	
Building supplies .....	18,290.54	
Miscellaneous supplies and services .....	144,513.02	
Power .....	147,535.75	
Timber .....	50,493.87	
Explosives .....	41,973.65	
Chemicals .....	79,170.16	
Transportation .....	61,597.87	
Fuel oil, gasoline and lubricants .....	42,669.68	
Engineering and geological supplies .....	5,574.11	
Diamond drill bits and repairs .....	10,239.96	
Food products .....	57,912.81	
Equipment .....	4,341.41	
Buildings and houses .....	<u>11,440.75</u>	830,831.41

## Insurance:

Fire, public liability, business interruption, bond, bullion, boiler and vehicle .....	8,815.73	
Sun Life and Associated Medical Services .....	32,193.93	
Workmen's Compensation and Silicosis .....	163,101.62	
Unemployment insurance and Canada Pension .....	<u>33,302.51</u>	237,413.79
		<u>\$ 2,727,978.09</u>









